

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITION 1D FUNDING ROUND
STAFF SUMMARY REPORT – JUNE 2012**

Applicant/Obligor:	Camino Nuevo Charter High School
Project School:	Camino Nuevo Charter High School
CDS (County – District – School) Code:	19-64733-0106435
[Proposed] Project Location:	1217 Miramar Street, Los Angeles
Type of Project:	New Construction
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Total OPSC Project Cost:	\$23,000,000
State Apportionment (50% Project Cost):	\$11,500,000
Lump Sum Contribution:	\$1,500,000
Total CSFP Financed Amount:	\$10,000,000
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$510,193
First Year of Occupancy of New Project:	2013-14

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Camino Nuevo Charter High School (CNCHS) is financially sound for purposes of the Charter School Facilities Program (CSFP or the Program) Final Apportionment. This determination as it relates to the Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon CNCHS's electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. This determination is also contingent upon CNCHS providing evidence of having established a restricted reserve account with a minimum of \$124,361 for purposes of covering its debt service coverage requirement for 2014-15. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

Given that the CSFP project involves facilities held by Los Angeles Unified School District (District), upon project completion, the District will continue to hold title to the facilities in trust to the State of California's public education system.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting our financial soundness review of CNCHS. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	CNCHS has met all eligibility criteria for the Program: 1) a charter is in place, 2) has at least two years of instructional operations, and 3) is in compliance with the terms of its charter and in good standing with its chartering authority.
Demographic Information	CNCHS currently serves 466 students and has a wait list of 202 students. CNCHS projects a maximum enrollment of 500 students for the CSFP facility.
Debt Service Coverage	The debt service coverage ratios for CNCHS in 2014-15 and 2015-16 are 75.6% and 117.2%, respectively. <i>Due to its low debt service coverage for 2014-15 (75.6%), CNCHS will need to establish a \$124,361 restricted reserve account for the purpose meeting the minimum Program requirement of 100%. The source of these restricted reserve funds will be Camino Nuevo Charter Academy.</i>
Other Financial Factors	LAUSD will be providing a \$1,500,000 lump-sum payment towards the CSFP project. CSFP payments are projected to represent 15.3% and 12.7% of total revenues in 2014-15 and 2015-16. While the CSFP payment for 2014-15 is slightly above the recommended 10-15% threshold levels, the CSFP payment for 2015-16 is within the recommended threshold levels.
Student Performance	CNCHS has met all AYP criteria over the past five years while meeting API growth score targets only once over the same period. In 2010-11, CNCHS achieved an API growth score of 783 as well as statewide and similar schools rankings of “8” and “10”, respectively.

Program Eligibility: On June 1, 2012, the Charter Schools Division of Los Angeles Unified School District verified that CNCHS is: 1) in compliance with the terms of its charter agreement, and 2) is in good standing with its chartering authority. CNCHS received its original charter March 23, 2004 from the Los Angeles Unified School District. CNCHS renewed its charter through June 2014.

Legal Status Questionnaire: Staff reviewed CNCHS’ responses to the questions contained in the Legal Status Questionnaire (LSQ). On April 5, 2012, CNCHS answered “None” to all LSQ questions.

Project Description: CNCHS requested financing for purchasing a site and constructing a permanent high school facility (9-12) on property located within the District’s boundaries. The school identified a site for the new facility located at 1217 Miramar Street in the MacArthur Park/Pico-Union area of Los Angeles. The project is currently under construction and is being managed by the Los Angeles Unified School District (LAUSD) under a joint-partnership in developing the school.

CNCHS’s new facility is expected to house up to 500 students and will be opening its doors in the Fall of 2013. The 30,000 square foot facility will include 21 multi-level classrooms, four of which will contain science labs; fourteen classrooms and two science labs will be

built with CSFP funds. The rest of the high school will be built with funds from an Overcrowding Relief Grant that is being administered by the LAUSD. Also, the high school will house administration offices, an indoor fitness studio and dining court. About ½ an acre will be dedicated to outdoor physical education activities. Furthermore, while the total cost of the project is approximately \$34 million, CNCHS is only financing \$23 million of CSFP funds for purposes of final apportionment, which includes a lump-sum payment of \$1,500,000 provided by LAUSD. The LAUSD's Overcrowding Relief Grant funds will complement the CSFP funding with an additional \$11 million in order to fully subsidize and complete the project. Given that the CSFP project involves facilities held by Los Angeles Unified School District (District), upon project completion, the District will continue to hold title to the facilities in trust to the State of California's public education system.

Staff notes that, notwithstanding CNCHS' establishing a new campus at the site of the CSFP project, the current campus will be retained under the umbrella organization, Camino Nuevo Charter Academy, as a separate and distinct high school with a new CDS code.

Organizational Information: Camino Nuevo Charter Academy is a 501(c)(3) nonprofit, public-benefit corporation with 501 (c)(3) status.

Consisting of five academies, Camino Nuevo Charter Academy (CNCA) is a charter management organization that operates Camino Nuevo Charter Academy (Burlington), Camino Nuevo Charter Academy #2 (Harvard), Camino Nuevo Charter Academy #3 (Jose A. Castellanos Elementary Campus), Camino Nuevo Charter Academy #4 (Sandra Cisneros Learning Academy), and Camino Nuevo Charter High School (CNCHS). CNCA was founded in August 2000 by Pueblo Nuevo Development, a nonprofit community development corporation in the MacArthur Park neighborhood west of downtown Los Angeles, to promote access to schools with high student achievement. CNCA first opened a K-5 campus in 2000 and then opened its middle school campus in 2001. CNCA operates multiple sites in a focused geographical region just west of downtown Los Angeles, the MacArthur Park and Mid-Wilshire Koreatown Neighborhoods. The student population is drawn from the poorest quartile of minority residents in Los Angeles in the most densely populated communities. The census tract for the area reveals that this is one of the most overcrowded neighborhoods for high school students in the City of Los Angeles, and 96% of the households are renters. Approximately 97% of the overall CNCA student body is eligible for Free/Reduced Priced Lunch. At CNCHS, in particular, 98% of students are eligible for Free/Reduced Lunch. The students and their families are challenged by limited English proficiency, with the percentage of English Learners averaging 30% in grades 9-12. An estimated 81% of students live at or below the poverty rate.

CNCA has contracted with ExED for business services including accounting, accounts payable/receivable, facilities and financial strategic planning. ExED's goal is to improve the quality of public education by creating access to high achieving schools in low income areas. ExED has been working with California charter schools since 2000.

Moreover, CNCHS embraces the challenge of demonstrating that public education in a low-income, immigrant, multilingual area can succeed. The mission of the school is to educate students in a college preparatory program to be literate, critical thinkers and independent problem solvers. To accomplish this mission, CNCHS incorporates a comprehensive educational program that includes rigorous academics aligned with the California State

Standards, incorporation of the arts, emphasis on environmental education, after school enrichment programs, and extensive parent and community outreach.

Educational Management Organization: Refer to “Organizational Information” above.

Management Experience: The resumes of the school’s personnel and the management team demonstrates professional, experienced and qualified individuals serving in key capacities within the organization.

Ana Ponce is the Chief Executive Officer of the Camino Nuevo Charter Academies, and is responsible for directing and supervising Camino Nuevo Charter Academy as well as overseeing the development of instructional programs. Prior to joining Camino Nuevo, Ms. Ponce taught at the elementary school level and served in various school administrative positions. Ms. Ponce obtained a B.A. in Spanish and Italian from Middlebury College and an M.A. in Bilingual/Bicultural Education from Teachers College at Columbia University. Additionally, Ms. Ponce earned an M.Ed. in Administrative Studies from the University of California, Los Angeles, and an Ed.D. from Loyola Marymount University.

Atyani Howard is the Chief Academic Officer and has served as a teacher and administrator at Camino Nuevo Charter Academy (CNCA) since 2002. During her five year tenure as principal of the Burlington campus, the instructional program grew over 120 points on the Academic Performance Index, earned the honor of California Distinguished School in 2010, won the Title 1 Academic Achievement Award in 2010 and 2011, and was awarded the California Association of Bilingual Education Seal of Excellence for our model bilingual program. Mrs. Howard began her teaching career in the Chicago Public School District in 1997. She has taught fourth through eighth grades and college courses as an adjunct faculty member at Roosevelt University and Harold Washington College in Chicago. Mrs. Howard earned a B.A. with honors in Multicultural studies and English and an M.A. with honors from Northwestern University.

Hoa Truong is the Chief Operating Officer for Camino Nuevo Charter Academy. Mr. Truong began his career as a strategy and business consultant at Arthur Andersen & Co. After four years at Arthur Andersen & Co., Mr. Truong worked in strategic marketing for an audio visual services firm in Long Beach, and also joined KIPP Los Angeles College Preparatory School as a Founding Board Member, where he served as the school’s Board Chair. Subsequently, Mr. Truong served for five years as Vice President of Operations at Green Dot Public Schools. Mr. Truong holds an M.B.A. from the UCLA Anderson School of Management and is a graduate of the Broad Residency in Urban Education.

Scott Weatherford is the Principal at Camino Nuevo Charter High School (CNCHS). Mr. Weatherford began his career with CNCA as the founding assistant principal at CNCHS. Prior to working at CNCHS, Mr. Weatherford was a teacher at Crenshaw High School. In 2002, Mr. Weatherford was a founding teacher of TechBoston Academy, a new technology focused pilot school in the Dorchester neighborhood of Boston. Furthermore, Mr. Weatherford helped open a new middle school in LAUSD, serving as instructional coach before returning to CNCHS as the principal in 2009. Mr. Weatherford earned his Master degree in Education from UCLA’s Center X, and his Doctorate in Education from UCLA’s Educational Leadership Program.

Board Experience: CNCHS shares the CNCA fourteen-member Board of Directors, which brings with it a strong educational background and an understanding of community needs. Mark Dalzell, a portfolio manager, is the active Chairman of the Board. CNCHS’ Board also includes Board President, Phillip Lance, who also serves as Executive Director of Pueblo Nuevo Development; Board Secretary Shiho Ito, who is a community activist; and Board Treasurer Elliot Ponchick, who serves as the President of the William C. Bannerman Foundation. Other Board members include Samar Bloomingdale, George Eisner, Alicia Maldonado, L. Michael Russell, William E.B. Siart (founder and chairman of ExED), Patti Phillips, Cindy Lee Smet, Robert Ronus and Robert Kaplan. These Board members bring a wide variety of experience and knowledge to Camino Nuevo Charter Academy and CNCHS. Their professions include the areas of entertainment, education, investment, public affairs, and non-profit organizations. The table below outlines the Board members’ terms of office.

Board Member	Occupation	City of Residence	Terms of Office
<i>Mark H. Dalzell</i>	Senior Vice President of Capital Research Company	Los Angeles	07/01/09 - 06/30/12
<i>Philip Lance</i>	President and Executive Director of Pueblo Nuevo Development	Los Angeles	07/01/09 - 06/30/12
<i>Shiho Ito</i>	Event Planner	Los Angeles	07/01/08 - 06/30/11
<i>Samar Bloomingdale</i>	Former Public Relations Consultant; Volunteer For Educational And Civil Rights Advocacy Organizations	Los Angeles	07/01/10 - 06/30/13
<i>Georgia Eisner</i>	Director and Editor of Multimedia Entertainment Content	Beverly Hills	07/01/1 - 06/30/13
<i>Robert O. Kaplan</i>	Entertainment Attorney	Santa Monica	04/13/10 - 06/30/13
<i>Cindy Lee Smet</i>	Retired Banker; Volunteer Board Member for Multiple Nonprofit Organizations	Hermosa Beach	07/01/10 - 06/30/13
<i>Alicia Maldonado</i>	President of Mockingbird Communications	Los Angeles	07/01/09 - 06/30/12
<i>Patti Phillips</i>	Senior Vice President at Wells Fargo	Los Angeles	07/01/10 - 06/30/13
<i>Elliot Ponchick</i>	President of the William C. Bannerman Foundation	West Hollywood	07/01/09 - 06/30/12
<i>L. Michael Russell</i>	Principal and Chief Legal Officer of AquaNano, LLC	Los Angeles	07/01/10 - 06/30/13
<i>Robert Ronus</i>	Senior Vice-President of Capital Guardian Trust Company	Los Angeles	07/01/09 - 06/30/12
<i>William E. B. Siart</i>	Founder and Chairman of the Board of Excellent Education Development	Santa Monica	07/01/10 - 06/30/13

Enrollment: CNCHS currently enrolls 466 students in grades 9-12. Enrollment is projected to reach a maximum of 500 pupils by 2015-16—third year of project occupancy at its new site. 2004-05 through 2007-08 represented a period of rapid enrollment growth (137 to 432 students) for the school, and enrollment levels in future years will be maintained at 500-555 pupils. While CNCHS is depending on enrollment growth in order to produce revenues to support the projected CSFP payment, staff believes that enrollment projections can be

achieved based on current waitlists and other “feeder” middle schools in the area that will funnel students to CNCHS.

Student Performance: Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school’s financial position. Schools with improving student performance trends are viewed favorable, especially if these trends exceed threshold goals set by the school or the California Department of Education (CDE). In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) trend data generated by CDE. The API is also used as an indicator for measuring AYP per the No Child Left Behind Act of 2001. Any school not meeting AYP targets would face additional mandates and corrective actions if the school is a recipient of federal Title 1 funds.

Camino Nuevo High School Charter (9-12) CDS:19-64733-0106435	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
ADEQUATE YEARLY PROGRESS (AYP)					
Met All AYP Criteria?	Yes	Yes	Yes	Yes	Yes
Criteria Met / Required Criteria	6 / 6	14 / 14	14 / 14	14 / 14	18 / 18
Met API Indicator for AYP?	Yes	Yes	Yes	Yes	Yes
Met Graduation Rate?	Yes	Yes	Yes	Yes	Yes
ACADEMIC PERFORMANCE INDEX (API)					
Met Schoolwide Growth Target?	Yes	No	Yes	Yes	No
Met Comparable Improvement Growth Target?	Yes	No	Yes	No	No
Met Both Schoolwide & CI Growth Targets?	Yes	No	Yes	No	No
API Base Statewide Rank	7	8	7	8	8
API Base Similar Schools Rank	10	10	10	10	10
School's Actual Growth	24	-1	16	11	-7
Similar Schools Median of Actual Growth	5	13	12	20	13
Did School's Growth Exceed Median?	Yes	No	Yes	No	No

CNCHS exhibited strong academic performance for the period between 2006-07 and 2009-10. CNCHS met all AYP criteria over the last five year period along with meeting schoolwide API growth targets three out of the last five years. The only year CNCHS did not meet its API growth score targets was in 2007-08. In 2010-11, CNCHS achieved an API growth score of 740. The school has ranked among the highest when compared to similar schools with 10 out of 10 rankings from 2006-07 through 2000-11. The school’s statewide rank varied between 7 and 8 out of 10 for the same period. CNCHS’ strong academic performance is a positive financial indicator for the school’s financial soundness.

Financial Analysis: Highlighted in this section is financial data and credit indicators used to evaluate the applicant’s ability to meet its CSFP obligations. The following table summarizes key aspects of the school’s projected financial performance. As the CSFP project will function as a distinctly separate high school from the current high school, staff’s financial analysis focuses on the financial viability of the high school associated with the CSFP project, and the table below reflects financial information beginning with 2013-14, the first year of operations and first year of occupancy of the CSFP project.

Item 5 – Camino Nuevo Charter High School

Camino Nuevo Charter High School	Projected FY 2013-14	Projected FY 2014-15	Projected FY 2015-16
ENROLLMENT PROJECTIONS			
Enrollment	300	425	500
Average Daily Attendance	285	404	475
Average Daily Attendance (%)	95%	95%	95%
FINANCIAL PROJECTIONS			
Total Revenues Available for CSFP Lease Payment	\$ 2,558,475	\$ 3,333,216	\$ 4,025,757
Total Expenses Paid Before CSFP Lease Payment	2,327,034	2,947,384	3,427,665
Accounting Adjustments	-	-	-
Net Revenues Available for CSFP Lease Payment	\$ 231,441	\$ 385,832	\$ 598,092
CSFP Lease Payment	\$ -	\$ 510,193	\$ 510,193
Net Revenues After CSFP Lease Payment	\$ 231,441	\$ (124,361)	\$ 87,899
FINANCIAL INDICATORS			
Net Revenues Available for CSFP Lease Payment	\$ 231,441	\$ 385,832	\$ 598,092
Debt Service Coverage by Net Revenues	N/A	75.6%	117.2%
Contributions	250,000	-	-
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	75.6%	117.2%
CSFP Lease Payment / Revenues	N/A	15.3%	12.7%
Contributions / Revenues	9.8%	N/A	N/A
Net Revenues After CSFP Lease Payment / Revenues	9.0%	-3.7%	2.2%
Revenues / ADA	\$8,977	\$8,256	\$8,475
Expenses / ADA	\$8,165	\$8,564	\$8,290
Surplus (Deficit) / ADA	\$812	\$(308)	\$185

Staff's financial review of CNCHS is based on three years of projected financial data (2013-14 through 2015-16) based on student waitlist and student population near the new location. The school expects to occupy the project in 2013-14 and their enrollment is projected to be 300 students in grades 9-12 for the first year; by the third year of occupancy (2015-16), the school is expected to reach its maximum student population of 500.

Although CNCHS, as located at the site of the CSFP project, will effectively begin operations in 2013-14, and thus has no operating or financial history, staff believes that CNCHS can meet the CSFP debt obligations because of Camino Nuevo Charter Academy's successful history of managing charter schools.

CNCHS' financial projections assume an ADA rate of 95%, which is consistent with the school's average ADA rate over the last three years. The projections also assume a general purpose block grant per ADA rate of \$6,148 for grades 9-12 for 2013-14 and 2014-15, representing a 0% cost of living adjustment (COLA) from 2011-12, and a 2.5% COLA to the rate for 2015-16.

Additionally, since Camino Nuevo Charter Academy (Organization) will be establishing a \$124,361 restricted reserve account for the purpose meeting its debt service payment on behalf of CNCHS, staff reviewed the Organization's 2010-2011 audit report. Per the 2010-11 audit report, CNCA incurred \$18,770,858 in expenses on \$20,195,133 in unrestricted revenues, resulting in a net gain of \$1,424,275 in unrestricted net assets. Regarding cash flows, the organization ended the 2010-11 fiscal year with \$5,580,827 in cash and cash equivalents. The organization defines its cash and cash equivalents as including only cash on hand, demand deposits, and liquid investments with original maturities of six months or

less. While aggregate rent expenses for all of the Organization's schools totaled \$1,955,330 at the end of the 2010-11 year, it has no long-term debt obligations which is seen by staff as a credit plus.

Projected Debt Service Coverage: CNCHS' financial projections indicate the school will not be able to afford the projected annual CSFP payment for 2014-15 (first year after opening year). Debt service coverage ratios for CSFP are calculated using net revenues available after payment of debt service on any existing and projected indebtedness, with any expenses for capital outlay and depreciation added back as net revenues. Assuming a project cost of \$23,000,000, an interest rate of 3.00%, a lump-sum payment of \$1,500,000, and a 30-year repayment period, CNCHS' annual CSFP payment is projected to be \$510,193 beginning 2014-15, which is one year following expected occupancy of the CSFP project in 2013-14. CNCHS' projected net revenues of \$385,832 and \$598,092 would provide debt service coverage of 75.6% and 117.2% in 2014-15 and 2015-16, respectively. The CSFP payment is projected to represent 15.3% of projected revenues in 2014-15 and 12.7% in 2015-16, which is approximately within the 10-15% preferred maximum range.

Additional Financial Considerations: Authority staff recommends that CNCHS, due to its low debt service coverage for 2014-15 (75.6%), establish a \$124,361 restricted reserve account for the purpose of meeting its debt service payment. The source of these restricted reserve funds will be Camino Nuevo Charter Academy.

Strengths, Weaknesses and Mitigants:

- CNCHS will not be able to meet its requirement of 100% debt service coverage for 2014-15; the debt service coverage ratio for the aforementioned year is 75.6%.
- + CNCHS will be able to meet its requirement of 100% debt service coverage for 2015-16; the debt service coverage ratio for the aforementioned year will be 117.2%--the increase is due to a projected increase in student enrollment.
- + CNCHS will be required to establish a \$124,361 restricted reserve account for the purpose of meeting its debt service payment for 2014-15. Camino Nuevo Charter Academy will be the source of these restricted fund reserves.
- + LAUSD will be providing a \$1,500,000 lump-sum payment towards the CSFP project.
- + CNCHS is expected to meet maximum enrollment growth of 500 students by 2015-16.

Staff Recommendation:

Staff recommends that the California School Finance Authority (CSFA) Board determine that Camino Nuevo Charter High School (CNCHS) is financially sound for purposes of the Charter School Facilities Program (CSFP or the Program) Final Apportionment. This determination as it relates to the Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon CNCHS's electing to have its CSFP payments

intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. This determination is also contingent upon CNCHS providing evidence of having established a restricted reserve account with a minimum of \$124,361 for purposes of covering its debt service coverage requirement for 2014-15. Camino Nuevo Charter Academy will be the source of these restricted fund reserves. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.